

Message Text

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ACTION EA-12

INFO OCT-01 ISO-00 SP-02 ICA-11 AID-05 EB-08 NSC-05
TRSE-00 SS-15 STR-07 OMB-01 CEA-01 COME-00 DOE-15
SOE-02 AGRE-00 OES-07 CIAE-00 INR-10 NSAE-00
LAB-04 INT-05 DODE-00 XMB-02 FRB-03 ACDA-12
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R 020928Z JUN 78
FM USLO PEKING
TO SECSTATE WASHDC 0940

C O N F I D E N T I A L SECTION 1 OF 2 PEKING 1661

E.O. 11652: GDS
TAGS: EALR ETRD CH US

SUBJ: BUSINESS ACTIVITY REPORT MAY

REF: A. PEKING 1232, B. PEKING 1274, C. PEKING 1345, D. PEKING 1386
E. PEKING 1446, F. PEKING 1528, G. PEKING 1529, H. PEKING 1577

1. SUMMARY: MAY HAS BEEN AN EXTREMELY ACTIVE MONTH FOR
US BUSINESSMEN IN PEKING. SUBSTANTIAL
CONTRACTS FOR MINING AND OIL FIELD EQUIPMENT WERE
SIGNED -- INCLUDING TWO MORE OFF-SHORE DRILLING RIGS, THE
FORTH AND FIFTH U. S. RIGS SOLD SINCE LAST SUMMER. DISCUSSIONS
HAVE CONTINUED TO BE ACTIVE THROUGHOUT THE MONTH AND
RANGE FROM PRELIMINARY GENERAL OVERVIEWS OF CORPORATE
CAPABILITIES TO A NUMBER OF SERIOUS NEGOTIATIONS. THERE
ARE ALSO A NUMBER OF COMPANIES HERE PRIMARILY IN CONNECTION
WITH EARLIER CONTRACTS (SERVICING, REPAIRING OR CLARIFYING
CONTRACTUAL OBLIGATIONS) AND MANY OF THESE COMPANIES ARE
HOPEFUL OF REPEAT BUSINESS. MOST OF THE ACTIVITY IN THE
U.S. IMPORT SIDE CENTERED IN CANTON AT THE FAIR, WHICH
IS BEING REPORTED SEPARATELY. END SUMMARYM

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U.S. SELLERS - CONTRACTS ALREADY SIGNED

2. PETROLEUM EQUIPMENT:
--MARATHON-LETOURNEAU: TWO OFFSHORE DRILLING RIGS
VAUED AT AROUND 52 MILLION DOLLARS. CONSTRUCTION WILL
BE IN SINGAPORE BUT THEY WILL CONTAIN MUCH U. S. EQUIPMENT
(WHICH PRESUMABLY WILL NOT SHOW UP IN US/CHINA TRADE

STATISTICS, HOWEVER). DELIVERY SCHEDULED FOR EARLY 1979. (REFS: PEKING 1446, 1386)

--MERTZ INC.: 7 MILLION CONTRACT FOR EXPLORATION EQUIPMENT. TRAINING PROGRAM ANTICIPATED FOR CHINESE TECHNICIANS IN PONCA CITY, OKLAHOMA.
--REED TOOL CO.: 4.8 MILLION DOLLAR CONTRACT FOR ROCK BITS. DELIVERY JULY 1978 TO JAN 1979.
--B.D. HUGHES: SOLD ABOUT \$500,000 WORTH OF CEMENTING EQUIPMENT TO BE USED ON THE SECOND PLATFORM RIG SOLD EARLIER BY ARMCO (THE FIRST RIG ALREADY CONTAINS HUGHES CEMENTING EQUIPMENT). DELIVERY PLANNED BY THE END O 1978.

3. MINING EQUIPMENT:

--BUCYRUS ERIE: HAS SIGNED FOUR CONTRACTS AND EXPECTS TO COMPLETE TWO MORE BEFORE LEAVING PEKING. THEY EXPECT THE TOTAL VALUE OF SALES TO REACH 5-6 MILLION DOLLARS. INCLUDES BLAST HOLE DRILLS AND POSSIBLY SHOVELS.
--WABCO: SOLD 75 TON TRUCKS (FOR -40 CENTRIGADE OPERATION). A NON-WABCO SOURCE INDEPENDENTLY TOLD US THAT HE ESTIMATED TH VALUE OF THE CONTRACT AT ABOUT 10 MILLION DOLLARS.

4. MISCELLANEOUS:

--BENTLEY NEVADA (MINDEN, NEVAD): SOLD INSTRUMENTS FOR TURBINES AND GENERATORS FOR US EIN ELECTRICAL POWER
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OR PETROCHEMICAL SECOTS. IT IS THEIR SECOND SALE.

--PFIZER: IN CONNECTION WITH THE HIRING OF ROLLAND HSU TO SUPERVISE AND GIVE TECHNICAL TRAINING ON MECHANIZING POULTRY FARMING, THE CHINESE RECEIVED U.S. BABY CHICKS FROM A DIVISION OF PFIZER. (PEKING 1232).

U.S. SELLERS - DISCUSSIONS IN PROGRESS

5. PETROLEUM/PETROCHEMICAL:

--FLOUR IS DISCUSSING SEVERAL PROJECTS INCLUDING HYDROCRACKERS FOR THE KWANGCHOW PETROCHEMICAL COMPLEX.
--DRESSER HAS BEEN HERE FOR WEEKS TO CLARIFY THEIR EARLIER CONTRACT FOR OIL LOGGING EQUIPMENT. IN ADDITION THEY WILL HAVE ANOTHER GROUP HERE IN JUNE TO DISCUSS AN ON-LAND DRILLING RIG FOR DESERT CONDITIONS.
--BAROID CORP. (DIVISION OF N. L. LINDUSTRIES) HAVE BEEN HERE TO TRY TO ARRANGE A MINMETALS DELEGATION TO VISIT THEIR FACILITIES. THEY ARE SPECIALISTS IN "MUD" FOR OIL DRILLING OPERATIONS, AND HOPE TO CONCLUE A LONG-TERM CONTRACT FOR BARITE.

--CRC CORPORATION HAS ALSO BEEN HERE PRIMARILY TO
REPAIR OIL FIELD EQUIPMENT THE FIRM PREVIOUSLY SOLD.
--C. ITOH CALLED USLOOFR AN EXPORT CONTROL MATTER
RELATING TO A US PRODUCED SEISMIC EXPLORATION VESSEL
WHICH THE PRC HAS PURCHASED FROM FRANCE. (PEKING 1529)
--A REPRESENTATIVE OF ICC INDUSTRIES VISITED
PEKING TO DISCUSS HIS FIRM'S PURCHASES AND SALES OF
CHEMICALS. HE BROUGHT AN OFFICIAL OF GULF AND WESTERN
INDUSTRIES.
-- A TEAM FROM M.W. KELLOGG VISITED PEKING TO
DISCUSS POSSIBLE SALE OF ETHYLENE TECHNOLOGY FOR A
PLANT AND TWO COMPLETE CHEMICAL PLANTS.
USLO UNDERSTANDS LUMMUS WAS ALSO HERE DISCUSSING THE
ETHYLENE PROJECT.
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-- INTERNATIONAL HARVESTER TEAM WEN TOO THE TAKANG
OLL FIELD TO SERVICE I-H OFF-ROAD VEHICLES.

7. MINING AND METALLURGY: IN ONE OF THE MOST INTERESTING
DEVELOPMENTS A NUMBER OF MINING EQUIPMENT COMPANIES HAVE
HAD DISCUSSIONS WITH THE CHINESE ABOUT COMPREHENSIVE

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C O N F I D E N T I A L SECTION 2 OF 2 PEKING 1661

DEVELOPMENT OF PRC ORE RESOURCES INCLUDING POSSIBLE
PROVISION OF ENGINEERING SERVICES.

--FLOUR IS DRAFTING A "FROM MINE TO CONCENTRATE"
PROPOSAL FOR COPPER. (PEKING 1274)
--ALLIS CHALMERS HOPES TO OBTAIN A CONTRACT TO
DESIGN IRON ORE PELLETIZING PROCESS. (PEKING 1345)
--BUCYRUS ERIE AND MCKEE ARE HOPEFUL OF
PARTICIPATING IN THE DEVELOPMENT OF PRC
PHOSPHATE
MINES. (PEKING 1345). MCKEE ALSO INVESTIGATED A PYRITE MINE
NEAR CANTON.
--U.S. STEEL WAS ALSO IN PEKING TO DESCRIBE THEIR
FULL RANGE OF STEEL MAKING TECHNOLOGY BUT, ACCORDING TO A
SECOND HAND REPORT, THEY LEFT QUITE DISAPPOINTED.
--EXXON (INCLUDING MEL SEARLES) HAD A DELEGATION HERE
IN LATE MAY TO DISCUSS COAL PURCHASES FOR THE CHINA
LIGHT AND POWER GENERATING PLANT IN HONG KONG. THE
TEAM VISITED TATUNG AND CHINWANGTAO.

8. MISCELLANEOUS:

--CORVIN-PVH INDUSTRIES (NEW YORK) HAVE TALKED WITH
THE CHINESE ABOUT TEXTILE MACHINERY.
--GLEASON WORKS HAS BEEN IN PEKING IN CONNECTION WITH
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THEIR EARLIER SALE OF GEAR CUTTING MACHINERY.
--CATERPILLAR WAS HERE TO INSTRUCT TECHNICIANS IN THE
USE OF ENGINES SOLD LAST YEAR. SALES REPRESENTATIVES ARE
STILL HERE TO DISCUSS POSSIBLE TRACTOR SALES..
-- ROCKWELL INT'L. HAD AN EIGHT MAN TEAM HERE TO
DISCUSS A WIDE RANGE OF ROCKWELL EQUIPMENT (TEXTILE
MACHINERY, CHRISTMAS TREES FOR OIL RIGS, PRINTING
EQUIPMENT AND TRUCKS AMONG OTHERS).
--IBM HAS HAD A TEAM AT SHENYANG TO CHECK THE ENGLISH
PROFICIENCY OF THE CHINESE SCHEDULED FOR A TRAINING
PROGRAM (THEY WERE DISAPPOINTED IN THE TESTING THEY
CONDUCTED). IBM HAS JUST RECEIVED A PRC END-USE
LETTER TO SUPPORT THE FIRM'S LICENSE APPLICATION FOR THE
EXPORT OF MODEL 370/138 COMPUTER TO BE USED AT THE
SHENYANG BLOWER WORKS. (PEKING 1577)
--NUCLEAR SERVICES CORPORATION (CAMPBELL, CALIFORNIA)
HAD MEETINGS AT THE CANTON FAIR CONCERNING THE
COMPANY'S CAPABILITY IN THE NUCLEAR POWER FIELD. (PEKING 1528)
--MCDONNELL-DUGLASS AIRCRAFT CORPORATION WAS AT THE
CANTON FAIR AND IN PEKING BOTH TO PROMOTE THEIR AIRCRAFT
AND TO FIND POSSIBLE PRODUCTS THEY COULD BUY TO PARTLY
OFFSET PRC PLANE PURCHASES SHOULD THEY EVENTUATE.
--DELAVAL TURBINE IND. (PRINCETON, NEW JERSEY) WHO HAVE
PREVIOUSLY SUPPLIED EQUIPMENT FOR THE KELLOGG PLANTS
HAVE BEEN HERE TO BRIEF THE CHINESE ON THE FULL RANGE
OF THE FIRM'S CAPABILITIES.
--REPRESENTATIVES OF SPERRY-UNIVAC VISITED PEKING TO

DISCUSS POSSIBLE SALES OF THE FIRM'S 1100/11 COMPUTERS.

U.S. PURCHASES

9. MOST OF THE ACTIVITY DURING THE MONTH TOOK PLACE
IN CANTON; MANY OF THE MAJOR AMERICAN IMPORTERS
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RETURNED TO THE U.S. AFTER THE FAIR. DEVELOPMENTS AT
THE CANTON FAIR ARE BEING REPORTED SEPARATELY.
--JACK SPECTOR INC. REPRESENTATIVES VISITED PEKING
BUY BRISTLES. THEY CLAIMED THAT CHINESE HAD RECENTLY
CUT PRICES TO INCREASE SALES, LEAVING SOME IMPORTERS
WITH HIGH PRICED INVENTORIES. ADDED THAT THE CHINESE ARE
BEGINNING TO MANUFACTURE BRUSHES FOR EXPORT, BUT THE
DYEING IS NOT RIGHT.

11. A. L. LIEBMAAN AND SON (WOODSICE, NY.) PURCHASED A
\$52,000 TRIAL SHIPMENT OF NUTS AND BOLTS.

DELEGATIONS

12. SAN FRANCISCO CHAMBER OF COMMERCE: THEY WERE
HOSTED BY THE CHINA COUNCIL FOR PROMOTION OF INTERNATIONAL
TRACE (CCPIT). THE GROUP VISITED PEKING, SHANGHAI,
CANTON AND KWEILIN. SOME OF THE DELEGATION MEMBERS WERE
ABLE TO PURSUE THEIR INDIVIDUAL BUSINESS INTERESTS
WITH TH FTC'S.

13. THE AGRICULTURAL MACHINERY DELEGATION SPONSORED BY
THE NATIONAL COUNCIL FOR U.S. CHINA TRADE. THEY WERE
HOSTED BY CCPIT. DELEGATION MEMBERS HAD A WEEK OF
DISCUSSIONS AND SEMINARS IN PEKING. THEY ARE NOW
TRAVELING TO LOYANG AN SHANGHAI.

21. THIS MESSAGE CONTAINS SENSITIVE COMMERCIAL
INFORMATION WHICH SHOULD NOT BE DISCUSSED OUTSIDE THE
U.S. GOVERNMENT.
WOODCOCK

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